

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name North Alert EMS Ambulance Authority	County Dickinson
Audit Date 12/31/05	Opinion Date 2/9/06	Date Accountant Report Submitted to State: 3/3/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

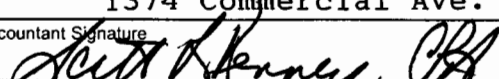
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Scott R. Kenney, CPA			
Street Address 1374 Commercial Ave. Suite 1		City Crystal Falls	State MI
		ZIP 49920	
Accountant Signature 			Date 2/9/06

NORTH ALERT EMS AMBULANCE AUTHORITY

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2005

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SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

Authority Board
North Alert EMS Ambulance Authority
Norway, MI 49870

I have audited the accompanying financial statements of the business-type activities and each major fund of the North Alert EMS Ambulance Authority (Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's appointed officials and management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

Management of the Authority directed that the "Squad" cash account and related activities not be audited as part of this engagement. The effect of reporting the "Squad" cash balance and related activities are not known and their collective effect on these financial statements can not be determined.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the "Squad" cash account been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the North Alert EMS Ambulance Authority as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.


Certified Public Accountant

February 9, 2006

NORTH ALERT EMS AMBULANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

Using this Annual Report

This annual report consists of a series of financial statements. Since the Authority provides ambulance services to the residents of the participating municipalities, only one business type fund is required and maintained. The Statements provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets increased 173.9% from a year ago - increasing from \$ 32 thousand to \$88 thousand. This is attributed to larger number of ambulance calls and very low operating costs due to the volunteer nature of the Authority. Capital spending was limited to the purchase of radios, which were capitalized and are being depreciated. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 0	\$ 0	\$ 79	\$ 42	\$ 79	\$ 42
Noncurrent Assets	<u>0</u>	<u>0</u>	<u>114</u>	<u>125</u>	<u>114</u>	<u>125</u>
Total Assets	\$ 0	\$ 0	\$ 193	\$ 167	\$ 193	\$ 167
Long-Term Debt Outstanding	\$ 0	\$ 0	\$ 70	\$ 92	\$ 70	\$ 92
Other Liabilities	<u>0</u>	<u>0</u>	<u>35</u>	<u>42</u>	<u>35</u>	<u>42</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105</u>	<u>\$ 134</u>	<u>\$ 105</u>	<u>\$ 134</u>
Net Assets						
Invested in Capital Assets-Net of Debt	\$ 0	\$ 0	\$ 14	\$ 0	\$ 14	\$ 0
Unrestricted (Deficit)	<u>0</u>	<u>0</u>	<u>119</u>	<u>33</u>	<u>119</u>	<u>33</u>
Total Net Assets	\$ 0	\$ 0	\$ 88	\$ 33	\$ 88	\$ 33

NORTH ALERT EMS AMBULANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for Services	\$ 0	\$ 0	\$ 64		\$ 64	
Operating Grants and Contributions	0	0	0	N	0	N
Capital Grants and Contributions	0	0	0	O	0	O
General Revenues				T		T
Property Taxes	\$ 0	\$ 0	\$ 56		\$ 56	
Unrestricted Investment Earnings	0	0	1		1	
Transfers and Other Revenue	<u>0</u>	<u>0</u>	<u>0</u>	A V	<u>0</u>	A V
Total Revenues	\$ 0	\$ 0	\$ 121	A	\$ 121	A
Program Expenses				I		I
General Government	\$ 0	\$ 0	\$ 0	L	\$ 0	L
Interest on Long-Term Debt	0	0	4	A	4	A
Water & Sewer	<u>0</u>	<u>0</u>	<u>61</u>	B L	<u>61</u>	B L
Total Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65</u>	E	<u>\$ 65</u>	E
Change in Net Assets	\$ 0	\$ 0	\$ 56		\$ 56	

The Authority's net assets continue to grow. The volunteer nature of the Authority and the increased number of ambulance calls has allowed the Authority to better its financial position.

Capital Asset and Debt Administration

At the end of 2005, the Authority had more than \$133,000 invested in capital assets. The debt on those capital assets are secured by all of the Authority's assets and the debt totals slightly less than \$100,000 as of the end of 2005 and all monthly payments are current.

Economic Factors and Next Year's Budgets and Rates

The Authority's budget for 2006 calls for a continuation of property taxes and the number of calls to remain steady. Using these assumptions, the Authority will continue to strengthen its financial position while providing incentive for individuals to join the Authority as ambulance attendants. A minimal increase in rates will be considered during the fiscal year.

NORTH ALERT EMS AMBULANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

Contacting the Authority's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office located at the City of Norway Fire Hall.

NORTH ALERT EMS AMBULANCE AUTHORITY
STATEMENT OF NET ASSETS
BUSINESS TYPE FUND
December 31, 2005

ASSETS

Current Assets:

Cash and equivalents	\$ 67,941
Accounts receivable	<u>10,871</u>

TOTAL CURRENT ASSETS \$ 78,812

Property, Plant and Equipment:

Ambulance and equipment	\$ 133,576
Less accumulated depreciation	<u>(19,773)</u>

TOTAL PROPERTY, PLANT AND EQUIPMENT \$ 113,803

TOTAL ASSETS \$ 192,615

LIABILITIES

Current Liabilities:

Accounts payable	\$ 4,905
Current portion of long term debt	<u>29,602</u>

TOTAL CURRENT LIABILITIES \$ 34,507

Long Term Liabilities - Notes payable \$ 70,164

TOTAL LIABILITIES \$ 104,671

NET ASSETS

Invested in capital assets - net of related debt	\$ 14,037
Unrestricted	<u>73,907</u>

TOTAL NET ASSETS \$ 87,944

Notes to Financial Statements are an integral part of this statement.

NORTH ALERT EMS AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS TYPE FUND
Year ended December 31, 2005

OPERATING REVENUES

Charges to patients, net of insurance adjustments	\$	64,383
Property tax revenues		55,984
Donations/contributions		<u>268</u>

TOTAL OPERATING REVENUES \$ 120,635

OPERATING EXPENSES

Ambulance operations:

Contracted services	\$	9,497	
Advanced life support services		15,750	
Medical supplies		4,169	
Uniforms and clothing		1,032	
Training and education		3,899	
Fuel and maintenance		<u>1,387</u>	\$ 35,734

General and administrative

Billing services	\$	2,988	
Insurance		4,869	
Licenses		505	
Office supplies		459	
Rent		3,000	
Telephone		<u>462</u>	12,283

Depreciation		13,207
Interest and fees		<u>4,239</u>

TOTAL OPERATING EXPENSES \$ 65,463

OPERATING INCOME \$ 55,172

NON-OPERATING INCOME (EXPENSE)

Interest		<u>666</u>
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NET INCOME (LOSS) \$ 55,838

Net assets - beginning		<u>32,106</u>
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NET ASSETS - ENDING \$ 87,944

Notes to Financial Statements are an integral part of this statement.

NORTH ALERT EMS AMBULANCE AUTHORITY
STATEMENT OF CASH FLOWS
BUSINESS TYPE FUND
Year ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 63,544
Receipts from taxes	55,984
Payments to suppliers	(39,606)
Payments to attendants	<u>(9,497)</u>

TOTAL CASH FLOWS FROM
OPERATING ACTIVITIES

\$ 70,425

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Payments on capital debt	\$ (32,754)
Purchases of capital assets	<u>(2,243)</u>

TOTAL CASH FLOWS FROM CAPITAL
AND RELATED FINANCING ACTIVITIES

\$ (34,997)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	\$ 666
Investments purchased	<u>0</u>

TOTAL CASH FLOWS FROM INVESTING ACTIVITIES

\$ 666

NET INCREASE (DECREASE) IN CASH

\$ 36,094

Cash and equivalents - beginning

31,847

CASH AND EQUIVALENTS - ENDING

\$ 67,941

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES

Operating income (loss)	\$ 55,172
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	13,207
Interest	4,239
Change in Assets and Liabilities	
Receivables - net	(1,107)
Accounts payable	<u>(1,086)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 70,425

Notes to Financial Statements are an integral part of this statement.

NORTH ALERT EMS AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Alert EMS Ambulance Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority:

Reporting Entity

The Authority is governed by an appointed eight member board (Board). The accompanying financial statements represent the entire government as the Authority does not have any component units that are required to be presented, either discretely or blended.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government consists of only a single proprietary type fund as is required by accounting principles generally accepted in the United States of America.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, depreciation on capital assets and debt costs associated with financing arrangements. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NORTH ALERT EMS AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables—All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets— Capital assets, which include property and equipment, are reported in the applicable business-type activities. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Vehicles	5 to 10 years
Office Equipment	3 to 7 years
Other Equipment	3 to 15 years

Long-Term Obligations— In the financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NORTH ALERT EMS AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Authority Board did overspend various items but individually approves all expenditures throughout the year.

NOTE C - ACCUMULATED UNRESERVED/UNDESIGNATED FUND DEFICITS

The Authority does not have any funds with an accumulated unreserved/undesignated fund balance/retained earnings deficit as of December 31, 2005.

NOTE D - CASH AND EQUIVALENTS

At year end, the carrying amount of the Authority's deposits (checking, savings, money market and short term certificates of deposit) was \$67,941. The Authority's deposits are in accordance with statutory authority. The bank balance is classified as to credit risk as follows:

Amount insured by the F.D.I.C.	\$ 67,941
	<u>=====</u>

NOTE E - ACCOUNTS RECEIVABLE

The Authority utilizes an outside service for performing its patient and insurance billings. Funds are deposited into the Authority's checking account and reports are forwarded to the Authority showing charges, collections, accounts receivable, etc.

NORTH ALERT EMS AMBULANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE F - LONG TERM DEBT

2004 NOTES PAYABLE

On February 27, 2004, the Authority executed a loan with the First National Bank of Norway. These funds were used to refinance a loan that had been used to acquire and equip an ambulance. All of the Authorities assets are pledged as collateral on the balance.

The repayment of the loan began in March, 2004 with monthly payments of \$2,729.43 over a five year period of time with interest charged at the rate of 3.75% per annum.

<u>Date</u>	<u>Payment Due</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 32,753	\$ 29,602	\$ 3,151
2007	32,753	30,732	2,021
2008	32,753	31,901	852
2009	<u>5,303</u>	<u>5,278</u>	<u>25</u>
	<u>\$ 103,562</u>	<u>\$ 97,513</u>	<u>\$ 6,049</u>

NOTE G - RISK MANAGEMENT

The North Alert EMS Ambulance Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The North Alert EMS Ambulance Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to prelude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SCOTT R. KENNEY

Certified Public Accountant

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Authority Board
North Alert EMS Ambulance Authority
Norway, MI 49870

In conjunction with the audit of the financial statements of the North Alert EMS Ambulance Authority (Authority) as of and for the year ended December 31, 2005, I have reviewed the Authority's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Authority's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Authority's board and management and should not be presented or quoted to anyone outside of the Authority because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof.

1. **OBSERVATION** - The Authority did not utilize a bookkeeping system during the audit period.

RECOMMENDATION - I recommend that the Authority purchase a comprehensive accounting system and utilize that system to prepare accurate and timely reports to the board and other interested parties.

Subsequent to the year end, the Authority acquired a computerized accounting system and is in the process of implementing it.

2. **OBSERVATION** - I was not allowed to audit the "squad" account resulting in a qualified opinion on the financial statements.

RECOMMENDATION - I recommend that the "squad" account be included in the accounting records of the Authority including proper control procedures. This will allow for proper reporting and board oversight.

3. **OBSERVATION** - While conducting the audit of the financial statements, I reviewed the minutes of the Authority Board's monthly meetings. Two items were discovered during this process: a monthly meeting was not held in November (violating the Articles of Incorporation) and the approved amounts of items to be purchased were not included.

3. **RECOMMENDATION** - I recommend that all of the Articles of Incorporation be complied with including the Article requiring monthly meetings. In addition, I recommend that the minutes clearly reflect approved expenditures including details of the bid process, if required, the vendor, quantity, date and cost of any approved items.
4. **OBSERVATION** - While performing test work, I discovered that one "run" was not charged, one "run" was improperly undercharged and subsequently underpaid and the payments to the volunteers were omitted for one "run."

RECOMMENDATION - I recommend that a procedure be put in place for a review of all runs along with the proper level (ALS v. BLS) of payments. Further, I recommend that a review of the quarterly payment sheet for the volunteers be made prior to the payments to the volunteers.

5. **OBSERVATION** - Norway Township (a participating municipality) is directly depositing the tax funds into the Authority checking account. The deposit details are not known until the subsequent bank statement arrives.

RECOMMENDATION - I recommend that either the tax checks be given to the bookkeeper for recording and deposit or a copy of the tax check be forwarded to the bookkeeper indicating the date of the deposit.

6. **OBSERVATION** - The Authority has not attempted collection of accounts receivable beyond the efforts put forth by the billing agent.

RECOMMENDATION - I recommend that all accounts not paid in full and returned from the billing agent be forwarded to a collection agency for further collection effort in compliance with the Medicare provider requirements.

I would like to thank the Authority Board for allowing me to conduct the audit of the financial statements and I would especially like to thank Chris Spence and Chris Tromp for their assistance during the audit.

If the Authority would like my assistance in implementing any of the above recommendations, I am willing to help in any way that I can.


Certified Public Accountant

February 9, 2006